GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4285
ANSWERED ON:19.04.2002
NORMS FOR ISSUANCE AND PRICING OF SHARES BY PRIVATE BANKS
CHANDRA NATH SINGH;SADASHIVRAO DADOBA MANDLIK;SUKDEO PASWAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has relaxed norms on issuance and pricing of shares by private banks;

(b) if so, the details thereof in this regard; and

(c) the reasons therefor ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)&(b): Yes, Sir. According to Reserve Bank of India`s (RBI) revised guidelines dated 20th March, 2002 on issue and pricing of shares by private sector banks, all private sector banks - listed or unlisted - will be free to price and issue rights shares without RBI`s prior approval. Bonus issues will now be delinked from the rights issue. However, for Initial Public Offerings and preferential shares RBI`s approval will be necessary. The bank will also be free to price their subsequent issues once their shares are listed on the stock exchanges. However, the issue price is to be based on Chartered Accountant or a Merchant Banker`s recommendation and shall take into account guidelines issued by SEBI and RBI as applicable.

(c): The revised guidelines were issued by RBI to clarify that where pricing of issue of shares did not require RBI`s approval, pricing should be as per SEBI guidelines and in the cases where RBI`s approval is required, it should take into account both SEBI and RBI`s guidelines.